

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7081

Investigation into Least-Cost Integrated Resource)
Planning for Vermont Electric Power Company, Inc.'s)
Transmission System)

Order entered: 10/7/2005

ORDER RE SCOPE OF ISSUES

In the July 20, 2005, Order opening this investigation, we included a preliminary list of specific issues to be resolved in this proceeding. At the August 10, 2005, prehearing conference, we established August 31, 2005, as the deadline for parties to file comments on these issues. We asked parties, in their comments, to describe any proposed changes to the preliminary list of issues.

The following parties filed comments on the preliminary list of issues: the Vermont Department of Public Service ("Department"); Vermont Electric Power Company, Inc. ("VELCO"); Central Vermont Public Service Corporation ("CVPS"); Green Mountain Power Corporation ("GMP"); the fourteen municipal electric utilities;¹ and Associated Industries of Vermont. After considering the comments submitted, we have determined that the issues to be resolved in this Docket shall be the following:

1. What is the scope of VELCO's current transmission planning, and should it be modified?
2. Should VELCO be required to develop a least-cost integrated resource plan for bulk transmission needs? If so, who should be responsible for identifying, implementing, and funding the least-cost solution for meeting those needs?
3. Are additional planning tools needed to achieve the goal of meeting resource needs at the lowest societal cost?

1. The fourteen municipal utilities are: Barton Village, Inc. Electric Department; Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department; Village of Hyde Park Electric Department; Village of Jacksonville Electric Company; Village of Johnson Electric Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light Department; Village of Northfield Electric Department; Village of Orleans Electric Department; Town of Readsboro Electric Light Department; Town of Stowe Electric Department; and Swanton Village Inc. Electric Department.

4. Should regulatory or market mechanisms or standards be modified to promote the identification, development, and implementation of least-cost solutions?
5. What should the public's involvement be in the planning process for Vermont's bulk transmission system?
6. How can the interests of ratepayers be sufficiently protected in the development and implementation of a least-cost integrated resource plan for bulk transmission needs?
7. Should a rate-impact assessment, a financial-impact assessment, and an integrated financial plan be included in least-cost transmission planning? If so, should the impact assessments and overall financial plan reflect the financial impacts on Vermont ratepayers, Vermont utilities, and the Vermont economy of implementing and funding various transmission and non-transmission alternatives?
8. How should Vermont distribution utilities coordinate with VELCO and with each other in (i) developing and implementing least-cost solutions for meeting bulk transmission needs, and (ii) undertaking other planning activities, including the distribution utilities' least-cost integrated resource planning, distributed utility planning, and issuance of Act 250 "ability to serve" letters?
9. How, and to what extent, should VELCO and the distribution utilities coordinate with other providers of services, including the Energy Efficiency Utility and market providers, to promote delivery of least-cost solutions to bulk transmission needs? What standards of performance should apply to any entity that proposes to implement a market-based solution?
10. How, and to what extent, should VELCO and the distribution utilities coordinate with the Agency of Natural Resources and other permitting agencies to develop least-cost solutions to bulk transmission needs?
11. What barriers exist to the planning and implementation of least-cost solutions for bulk transmission needs? How can those barriers be overcome?
12. How should planning in Vermont for bulk transmission needs be integrated with (i) the NE-ISO's regional market and planning responsibilities and (ii) federal regulatory requirements (principally, FERC regulation and homeland security requirements)?
13. How should VELCO and the Vermont distribution utilities be developing their forecasts of need for purposes of determining the adequacy of bulk transmission facilities?
14. What should be the roles of the Public Service Board and the Department of Public Service in the development and implementation of a least-cost integrated resource plan for bulk transmission needs?

15. Should any new entities be created, or existing entities modified or relied upon, for the development and implementation of a least-cost integrated resource plan for bulk transmission needs?

16. How should we ensure that non-transmission alternatives are given timely consideration in the identification of least-cost solutions? Conversely, at what point should consideration of non-transmission alternatives stop, and traditional, transmission solutions be implemented?

17. To what extent should planning for Vermont's bulk transmission system needs be integrated with planning efforts for the replacement of existing, significant power supply resources that are scheduled to expire over the next decade?

18. Does the Board need to revisit its decisions in Dockets 5980 and 6290?

19. What measures, if any, should be put in place to improve the accuracy of cost estimates for transmission and non-transmission alternatives?

20. How should the plan for Vermont's bulk transmission system be updated? In particular, what should be the scope of updates, the interval between updates, and the regulatory process for review of updates?

This list reflects three changes to our preliminary list of July 20. First, we have modified the language of issue #7, as proposed by the Department. Second, we have added issue #19, again at the Department's recommendation. Third, we have added issue #20, as proposed by GMP.

A few additional points deserve mention. With respect to issue #2, CVPS states in its comments that Act 61 requires VELCO to file a transmission system plan, and not an integrated resource plan. CVPS further states that it "does not understand that an outcome of this proceeding would be a requirement that VELCO file an integrated resource plan." We have not modified issue #2 because, at this time, we have not determined whether VELCO should be required to develop a least-cost integrated plan.²

With respect to issue #18, the Department recommends that we provide notice to the parties to Dockets 5980 and 6290, and that we advise the parties to those dockets if there are

2. More generally, CVPS and VELCO each note that existing Vermont statutes include provisions that address some of the issues that are included within the scope of this proceeding. We wish to be clear that among the possible outcomes of this proceeding are recommendations for statutory changes. Thus, in considering how best to resolve the issues in this Docket, the parties should consider whether legislative action may be desirable.

specific parts of the Orders in those dockets that we believe may merit revisiting in the current proceeding. We will notify the parties to Dockets 5980 and 6290 that we intend to address issue #18 in the current proceeding. At this stage of the current proceeding, we have not identified specific parts of those previous Orders that might be revisited.

In addressing issue #4, which relates to possible modification of regulatory or market mechanisms, we encourage the parties to consider whether it might be productive to amend the Section 248 process for bulk transmission system projects. In particular, we are interested in exploring the possible advantages and disadvantages of bifurcating the process, with initial determinations on issues related to need and alternatives, and a subsequent, detailed review (including site-specific impacts) of the transmission alternatives if, in the initial stage, it is determined that a transmission solution is appropriate.

Finally, we reiterate a fundamental point from both our decision in Docket 6860 (concerning VELCO's Northwest Reliability Project) and our Order that opened this investigation: we are particularly concerned that there be "sufficient advance planning by VELCO and its owners" to avoid finding ourselves in situations where the only viable solution to a reliability problem is a traditional transmission project.³ Vermont's bulk transmission system is primarily owned by VELCO, but as the quoted language makes clear, both VELCO *and* Vermont's distribution utilities must plan and coordinate with each other sufficiently in advance to allow full and timely consideration of non-transmission alternatives.⁴

SO ORDERED.

3. Order of 7/20/05 at 1, *quoting* Docket No. 6860, Order of 1/28/05 at 11.

4. This means, in part, that the distribution utilities should not wait until the last minute to inform VELCO that they need its assistance to address reliability issues.

Dated at Montpelier, Vermont, this 7th day of October, 2005.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: October 7, 2005

ATTEST: s/Susan M. Hudson
Clerk of the Board

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